

MISCLASSIFICATION (WAGE & TAX THEFT)



WAGE

HOW DOES IT HAPPEN

THEFT

Worker misclassification is a nationwide problem that has a negative impact on Pennsylvania and Delaware's economy, as well as on workers' compensation and unemployment compensation funds.

Worker misclassification occurs when contractors treat certain employees as independent contractors. This is done to reduce payroll and to exploit unregistered and/or unqualified workers.

How does misclassification impact competition?

Deliberate misclassification by unscrupulous contractor also creates an uneven playing field for responsible contractors who follow the rules and properly classify their workers. It also lowers industry standards.

How does misclassification exploit workers?

Misclassified employees are denied critical benefits and protections they are entitled to by law, such as the minimum wage, overtime compensation, family and medical leave, unemployment insurance, and safe workplaces.



How does misclassification harm local, state, and federal governments?

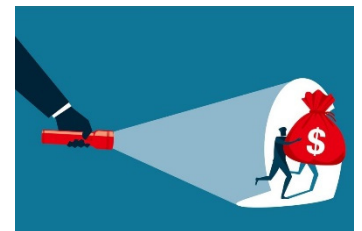
Employee misclassification by a contractor means the company keeps money that belongs to workers and the government. Misclassification generates substantial losses to the federal and state governments in the form of lower tax revenues, as well as losses to state unemployment insurance and workers' compensation funds.

Misclassifying a worker as an independent contractor harms and exploits that worker by withholding rights that legitimate employees enjoy.

Is misclassification a crime?

Contractors who bid and win jobs promising to pay fair wages and benefits, but then misclassify workers to reduce costs and increase profits, are also committing **TAX FRAUD**.

Attorneys General and local District Attorneys in some states are starting to charge and convict unscrupulous contractors who misclassify workers.



How can elected officials fight misclassification?

Elected officials can make sure that enforcement of existing laws on misclassification are enforced and the agencies charged with that enforcement are properly staffed and funded.

**WAGE THEFT
IS A CRIME**